



## Report Overview

Annually, the Treasurer is required to report to Council on the investment portfolio and results. Council reviewed its Investment Policy in February 2026, this report solely deals with the investment performance in 2025.

The Municipality had an investment return of approximately 5.1%, an amount which is roughly double the prime rate, providing revenues to the Municipality from a non-tax source that can be used for future capital and operating pressures. It should be noted that approximately 1/3 of the investment income relates to DC reserve funds and are therefore restricted in use; however this mitigates cost pressures on DC projects and future DC fee increases.

This is the first annual report since the Municipality has officially started investing using the Prudent Investor Standard where money not required immediately has been provided to the ONE JIB. Where applicable delineation between funds invested internally (money required immediately) and funds under control of the ONE JIB (money not required immediately) has been made.

## 1. Background

- 1.1 The Municipal Act, and the Municipality's Investment Policy require the Treasurer of the Municipality to report the state of the Municipality's investments to Council on an annual basis.
- 1.2 A snapshot summary of key information pertaining to the portfolio follows:

Fund	Opening Balance, January 2025	Closing Balance, December 2025	Investment Income	Return on Average Balance
General Fund	\$38,152,500	\$39,656,538	\$3,760,565	9.67%
Development Charges Reserve Fund	49,593,067	69,848,587	4,900,007	10.06%
Non-DC Reserve Fund	116,100,518	126,305,505	2,363,783	1.95%

<b>Fund</b>	<b>Opening Balance, January 2025</b>	<b>Closing Balance, December 2025</b>	<b>Investment Income</b>	<b>Return on Average Balance</b>
<b>Strategic Capital Reserve Fund</b>	9,928,765	9,783,063	164,812	1.67%
<b>Total Investments</b>	<b>\$213,774,850</b>	<b>\$245,593,693</b>	<b>\$11,189,167</b>	<b>5.12%</b>

1.3 The nature of the investments through the legal list does not reasonably compare with most indices that personal investors may use. This is due to the restricted nature of the investments. However, given that the Bank of Canada bank rate averaged 2.94 percent in 2025, the return is significantly above that rate

1.4 At December 31, 2025, investments were split between Money Required Immediately and Money Not Required Immediately as follows:

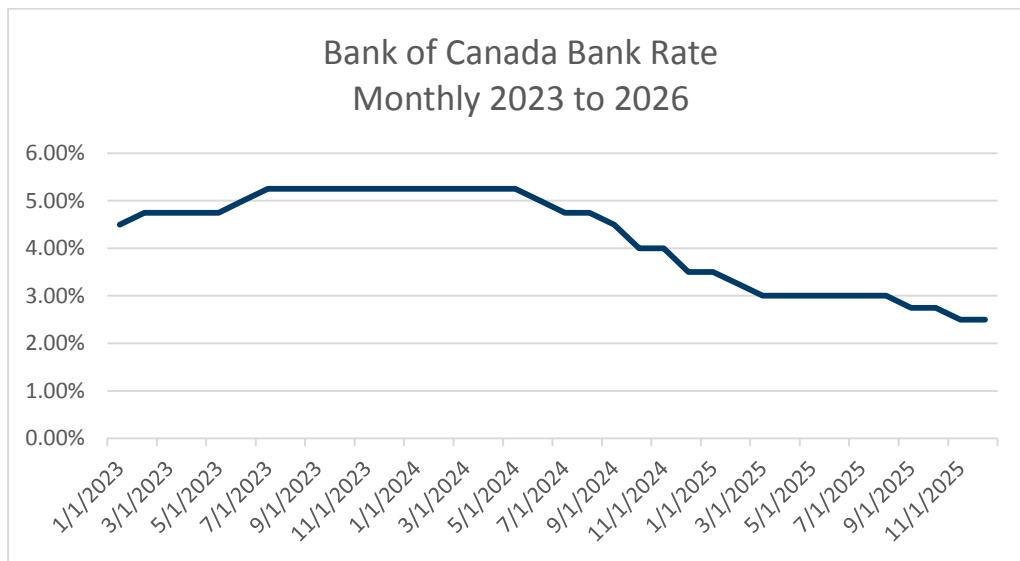
<b>Fund</b>	<b>Money Required Immediately (Legal List)</b>	<b>Money Not Required Immediately (ONE JIB)</b>	<b>Total</b>
<b>General Fund</b>	\$39,656,538	\$0	\$39,656,538
<b>Development Charges Reserve Fund</b>	47,864,228	21,984,358	69,848,587
<b>Non-DC Reserve Funds</b>	126,305,505	0	126,305,505
<b>Strategic Capital Reserve Fund</b>	9,783,063	0	9,783,063
<b>Total Investments</b>	<b>\$223,609,334</b>	<b>\$21,984,358</b>	<b>\$245,593,693</b>

1.5 The breakdown between money required immediately and money not required immediately is discretionary and is reviewed on an annual basis. Given the long-term nature of development charges, in most cases long term funds will be attributable to those funds.

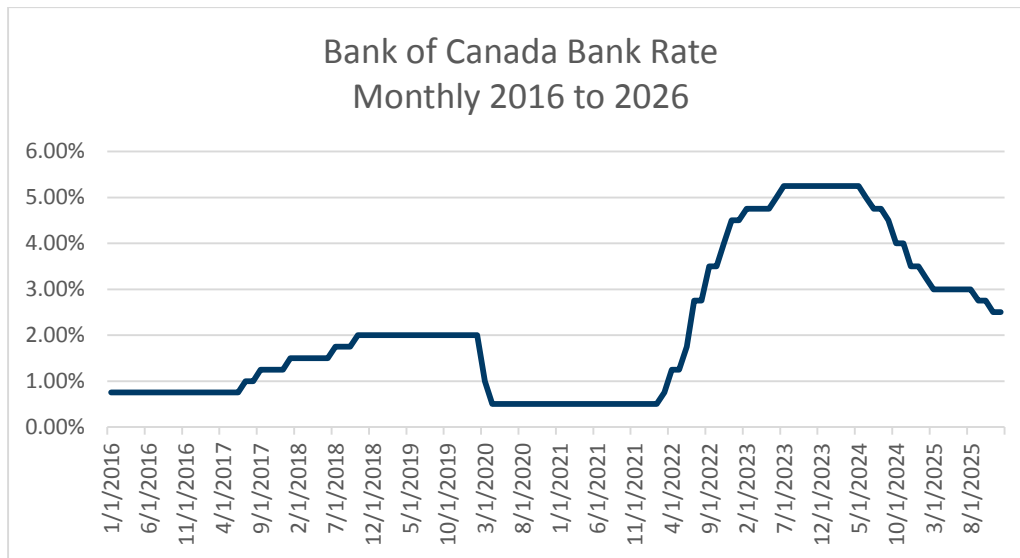
- 1.6 It should also be noted that investment income earned on Development Charges must stay within the DC reserve funds. This income is used to fund mitigate inflationary pressures and provide additional funding resources.

### Investment Environment

- 1.7 The last five years have seen significant fluctuations in the interest rate market in Canada. Rates were at 2.00% from October 2018 to March 2020 when COVID resulted in the Bank of Canada suddenly cutting rates to 0.50%. The recovery of interest rates started in March 2022, steadily increasing to a high of 5.25 in July 2023. Rates were stable for approximately one year and since July 2024 have been nine rate changes bringing the current rate to 2.50% in November 2025. Rates are expected to remain in the 2.25% to 2.50% range throughout 2026.
- 1.8 Fixed income investments are impacted by the Bank Rate. Many investments entered into throughout 2021 and 2022 would be at low interest rates. As these matured, they were invested in higher returning investments. With decreasing rates, future returns may not be as high as 2024 and 2025 because of decreasing interest rates.
- 1.9 The following chart shows the past three years of the Bank of Canada overnight rate:



- 1.10 Over the long-term, interest rates have been significantly lower than the past 24 months. The legal list, which the Municipality has moved away from, is predominantly a fixed income market. Since January 2016, these rates have averaged 2.1 percent.



## 2. Performance of the Investment Portfolio

- 2.1 The Municipality's portfolio consists of several funds, including general funds, trust funds, reserve funds, and other investments.

### General Fund

- 2.2 The General Fund is the primary operating fund for the Municipality. This fund has the least number of active investments. The majority of the investments in this fund are in the HISA accounts provided by the investment advisors to the Municipality (ONE Investment, CIBC Woodgundy, BMO Nesbitt Burns and Scotiabank). The HISA accounts offer favourable interest rates for a highly liquid investment.
- 2.3 The ONE Investment Inc. HISA was established in September 2016 and held low balances throughout 2017. In 2018, the Municipality began being more active with its investments and moved funds from the lower interest-earning bank accounts to the higher HISA account. At December 31, 2025, the ONE Investment HISA had approximately \$500 following the withdrawal of funds for Prudent. The HISA will remain open for short term cashflow purposes, there are no fees associated with this account.
- 2.4 Similarly, the investment accounts at CIBC Woodgundy, and BMO Nesbitt Burns include a HISA portion. These funds are typically available within 3 business days. The balance in these accounts typically result from maturing investments being pooled until a purchase can be made. At December 31, 2025 the balance in the HISA products with our investment advisors was approximately \$0.0 million (2024- \$16.0 million) across all funds.

## **Non-Development Charges Reserve Funds**

- 2.5 The Municipality operates a Non-Development Charges Reserve Fund investment portfolio for all reserve funds not established under the *Development Charges Act, 1997*. There is one exception: the Strategic Capital Reserve Fund, a separate fund.
- 2.6 The total book value of investments is approximately \$116.1 million (2023 - \$95.0 million), including approximately \$42.8 million (2024 - \$37.9 million) in bank balances. At December 31, 2025, the portfolio was comprised of \$16.3 million (2024 - \$8.7 million) in GICs with maturities in each of 2026 through 2029 and \$48.3 million (2024 - \$24.8 million) in bonds with maturities from 2026 to 2035. The portfolio includes \$116.2 million (2024 - \$39.4) in principle-protected notes; these are banknotes which are linked to an index but are issued by a chartered bank. For purposes of this report, the TD Bank Reserve Fund bank account is included in this portfolio.

## **Development Charges Reserve Funds**

- 2.7 The Development Charges Reserve Fund portfolio meets the obligations of the Municipality under the relevant legislation for Development Charges.
- 2.8 At December 31, 2025, the DC Reserve Fund included \$121,100 in HISA, \$8.5 million in various government bonds, \$37.6 million in financial institutions and \$1.6 million in corporate debt, and \$22.0 million invested with ONE JIB through the prudent investor standard.

## **Strategic Capital Reserve Funds**

- 2.9 The Municipality established the Strategic Capital Reserve Fund portfolio to hold investments for the Strategic Capital Reserve Fund specifically. This reserve fund was created to provide a funding source for economic development activities. The intent was to keep the \$10.0 million capital as a source of internal borrowing for economic development capital investments. Interest earned on the investments is transferred to the general fund to offset the tax levy.
- 2.10 This fund invests \$0 million (2024 - \$3.9 million) in GICs. Bonds worth \$7.0 million (2023 - \$3.6 million) with maturities from June 2024 to January 2032 are also held with an interest rate of 1.4 to 3.1 percent. There is also \$2.8 million in PPNs.
- 2.11 In January 2026, the Municipality expedited its pledge to the Bowmanville Hospital Foundation of \$7.5 million to support the Lakeridge Health redevelopment of the Hospital. The pledge was financed from this reserve fund, this reduction will impact the interest earned in this account in 2026.

## **Overall Performance**

- 2.12 The total income for the past five years, excluding trust funds and Elexicon, by fund are summarized below:

Fund	2025 Income	2024 Income	2023 Income	2022 Income	2021 Income
General Fund	\$3,760,565	\$4,303,907	\$4,812,802	\$3,808,056	\$1,060,573
Development Charges Reserve Fund	4,900,007	5,623,697	1,695,019	1,694,340	624,705
Non-DC Reserve Funds	2,363,783	7,895,269	1,582,907	1,600,751	1,123,800
Strategic Capital Fund	164,812	457,160	(402,115)	372,817	612,865
<b>Total Investment</b>	<b>\$11,189,167</b>	<b>\$18,280,033</b>	<b>\$7,688,614</b>	<b>\$7,475,964</b>	<b>\$3,421,943</b>

### 3. Compliance with Investment Policy

3.1 The Municipality invests based on the legal list of investments outlined in [O.Reg. 438/97](#) as amended. The legal list is very prescribed and limits the ability of the Municipality to diversify its investments fully; however, it is relatively secure.

#### Investment Accounts

3.2 The Municipality of Clarington holds its investments through investment accounts with several financial organizations. In determining whether the Municipality is meeting its investment policies, the underlying asset is considered, not the custodian of the investment.

3.3 The Municipality held the following accounts throughout 2025:

Institution	Accounts Held
TD Bank	<ul style="list-style-type: none"> <li>General Fund bank</li> <li>Several small bank accounts</li> </ul>

Institution	Accounts Held
	<ul style="list-style-type: none"> <li>Reserve Fund bank account</li> <li>Guaranteed Investment Certificates (GICs)</li> </ul>
<b>ONE Investment Inc.</b>	<ul style="list-style-type: none"> <li>High Interest Savings Account (HISA)</li> </ul>
<b>ONE JIB (a joint municipal services board)</b>	<ul style="list-style-type: none"> <li>Prudent Investor investments (see breakdown in paragraph 3.22)</li> </ul>
<b>BMO Nesbitt Burns</b>	<ul style="list-style-type: none"> <li>General fund investment</li> <li>Reserve Fund investment account</li> </ul>
<b>CIBC Woodgundy</b>	<ul style="list-style-type: none"> <li>DC Reserve Fund investment account</li> <li>Strategic Capital Reserve Fund investment account</li> <li>Non-DC Reserve Fund investment account</li> </ul>
<b>ScotiaBank</b>	<ul style="list-style-type: none"> <li>High Interest Savings Account (HISA)</li> </ul>

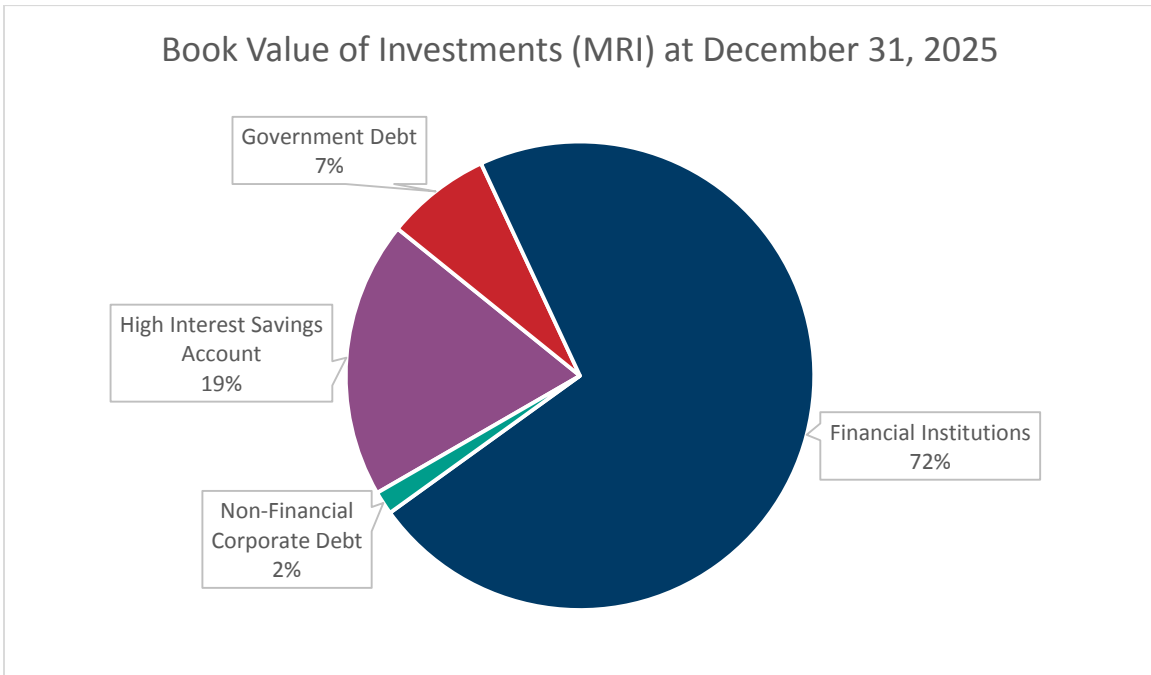
3.4 The investment accounts with BMO Nesbitt Burns, and CIBC Woodgundy hold a variety of investment instruments which could include GICs, government bonds, and bank deposit notes.

**Diversification Risk**

3.5 The Municipality holds investments of several different types. It is essential to diversify the types of investments with an extensive portfolio to reduce the risk to the overall portfolio from variations in any one market. The following table shows the December 31, 2025, investments by type as well as the minimum and maximum percentage allowed per the Investment Policy:

<b>Investment Type</b>	<b>Book Value at December 31, 2025</b>	<b>Percentage of Holdings</b>	<b>Minimum Range</b>	<b>Maximum Range</b>
<b>High Interest Savings Account</b>	\$42,789,202	19.1%	0%	100%
<b>Federal Debt</b>	1,516,187	0.7%	0%	100%
<b>Provincial Debt</b>	12,193,252	5.5%	0%	80%
<b>Municipal Debt</b>	2,513,799	1.1%	0%	35%
<b>Financial Institutions</b>	160,996,895	72.0%	0%	80%
<b>Corporate Debt (non-financial)</b>	3,600,000	1.6%	0%	10%
<b>Total Investments Under Municipal Control</b>	<b>\$223,609,335</b>			

- 3.6 To illustrate the breakdown of the short-term portfolio, the following graph shows the percentage of holdings. For the purposes of the chart, the three levels of government are shown combined. As can be seen, the significant majority of the investment portfolio is with financial institutions.



- 3.7 The policy guideline for financial institutions is zero percent to 80 percent of the investment portfolio. At December 31, 2025, the Municipality was within this limit. While within the policy limits, the above indicates that the Municipality is concentrated in Canadian financial institutions.
  
- 3.8 The above diversification risk table does not include the funds that are invested through the ONE JIB. Those investments are managed professionally and Staff are comfortable that appropriate diversification is being maintained. Please see paragraph 3.22 for additional information.

## Liquidity Risk

- 3.9 The Municipality attempts to balance cash flows through the timing of the maturity of investments. Staggered maturity dates ensure that cash is readily available to meet the needs of the Municipality and reduces interest rate risk. At December 31, 2025, the maturity dates, and allowable ranges, of investments held by the Municipality were as follows:

Timeframe	Book Value at December 31, 2025	Percentage of Portfolio	Minimum Range	Maximum Range
<b>Up to 90 Days</b>	\$48,759,758	21.8%	20.0%	100.0%
<b>Up to 1 Year</b>	1,000,000	22.3%	30.0%	100.0%
<b>1 to 5 Years</b>	52,421,955	23.4%	0.0%	85.0%
<b>5 to 10 Years</b>	121,427,622	54.3%	0.0%	50.0%
	<b>\$223,609,335</b>			

- 3.10 The Municipality's Investment Policy indicates the target range for less than 90 days is 20% to 100%, and less than one year is 30% to 100%. The amount shown above that is 90 days to 1 year should be added to the amount held less than 90 days to determine compliance with the requirement. Total amounts maturing less than one year is \$64.5 million, which is 30.2% of the investment portfolio.
- 3.11 The Municipality's HISA and TD Reserve Fund bank accounts are considered to have a maturity of less than 90 days, as they are available to the Municipality within 24 hours.
- 3.12 In addition to the HISA and banks, many of the investments that have maturities in the 1 to 5 year range have expected lives within 12 months. The Municipality purchases "Principal Protected Notes" with an auto-callable function, which means that if the investment meets certain criteria it will be automatically called.
- 3.13 It is the opinion of the Treasurer that at December 31, 2025 the Municipality was in compliance with the investment policy requirements for liquidity risk.

## Concentration Risk

- 3.14 The Municipality attempts to diversify its investment portfolio by restricting the percentage of investments any single institution may have. Diversification mitigates the risk to the Municipality if an investment becomes insolvent. Note that the Canadian Deposit Insurance Corporation (CDIC) only guarantees investments up to \$100,000 per institution, therefore, most of the Municipality's investments are not insured through CDIC.
- 3.15 At December 31, 2025 the Municipality's investments by institution were as follows:

Institution	Book Value at December 31, 2025	Percentage of MRI Portfolio	Maximum Allowed
<b>TD Bank - Savings</b>	\$42,647,139	19.1%	100.0%
<b>ONE HISA</b>	478	0.0%	100.0%
<b>Royal Bank of Canada</b>	26,882,530	12.0%	25.0%
<b>Royal Bank of Canada HISA</b>	20,504	0.0%	100.0%
<b>CIBC - HISA</b>	124,985	0.1%	100.0%
<b>National Bank</b>	7,023,420	3.1%	25.0%
<b>Bank of Nova Scotia</b>	31,596,930	14.1%	25.0%
<b>Bank of Montreal</b>	38,204,750	17.1%	25.0%
<b>CIBC</b>	52,312,691	23.4%	25.0%
<b>TD Bank</b>	4,972,669	2.2%	25.0%
<b>Province of Ontario</b>	7,773,355	3.5%	20.0%

Institution	Book Value at December 31, 2025	Percentage of MRI Portfolio	Maximum Allowed
Province of British Columbia	968,290	0.4%	20.0%
Province of Manitoba	2,000,000	0.9%	20.0%
Regional Municipality of Durham	1,001,760	0.4%	10.0%
Quebec Hydro	3,600,000	1.6%	5.0%
City of Toronto	1,512,039	0.7%	10.0%
Canada Housing Trust No 1	1,516,187	0.7%	100.0%
Province of Alberta	1,451,608	0.6%	20.0%
ONE JIB Controlled (see 3.22)	21,984,358	N/A	N/A
	<b>\$245,593,693</b>		

3.16 At December 31, 2025, the Municipality complied with restrictions on per institution investments.

### Overall Compliance

3.17 The Municipality complied with CP-003 Investment Policy (Legal List) and the Eligible Investment Regulation at December 31, 2025.

### Prudent Investor Update

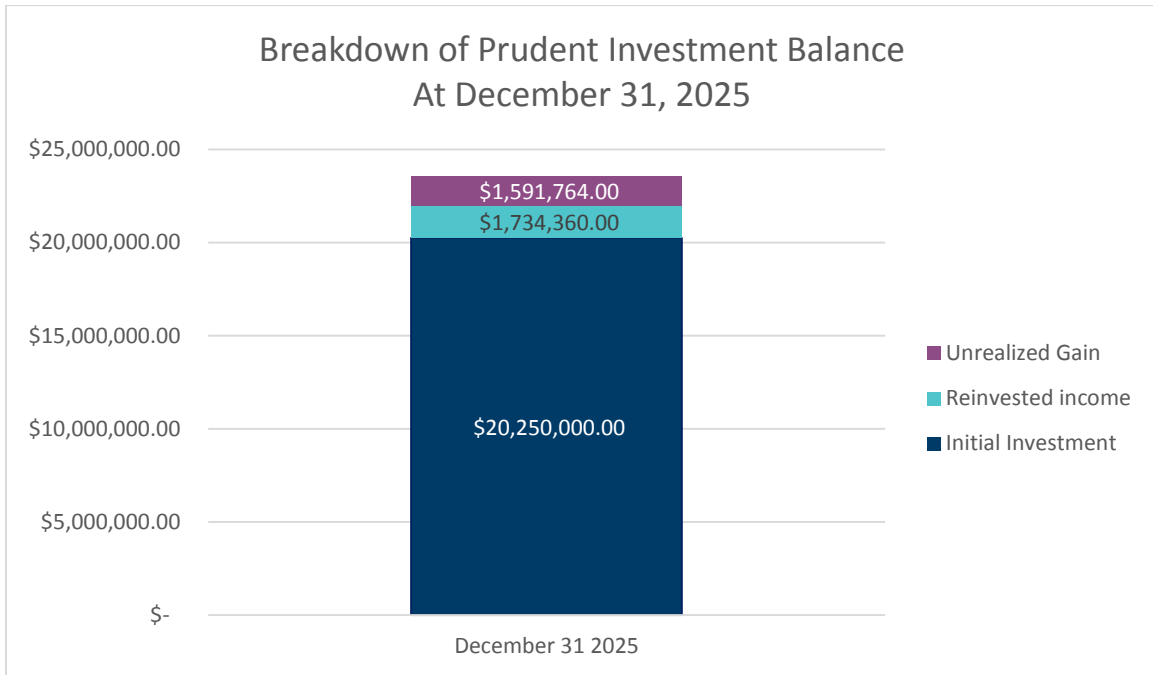
3.18 At its meeting of [November 21, 2024](#), the ONE JIB accepted the Municipality as a member municipality. The Municipality's [2024-2025 investment plan](#) was presented to the Board by PH&N for acceptance and was approved at that same meeting.

- 3.19 The Municipality transferred funds of \$20 million to the ONE JIB on January 13, 2025 for investment. These funds represent the estimated Money Not Required Immediately, which is required to be given to the ONE JIB for investment.
- 3.20 At the [September 11, 2025 ONE JIB Meeting](#), the annual review of the investment plan occurred. Changes to the investment plan were made in accordance with the updated investment policy approved by Council. The Treasurer identified an additional \$250,000 which as MNRI to be transferred to the ONE JIB. The updated plan included these additional funds.
- 3.21 The [2025-26 investment plan](#) approved by the ONE JIB utilizes funds all operated by RBC Global Asset Management. The model is targets 20% Canadian fixed income, 35% Canadian equities, 35% global equities and 10% alternative investments (5% Canadian Core Real Estate and 5% Global Infrastructure). It is considered a long-term investment plan, MNRI is reviewed annually by Staff based on forecasted needs.
- 3.22 At December 31, 2025 the ONE JIB fund breakdown was as follows:

<b>Fund Description</b>	<b>Book Cost</b>	<b>Market Value</b>
<b>PH&amp;N Short Term Bond &amp; Mortgage Fund</b>	\$ 4,654,723	\$4,690,450
<b>RBC QUBE Canadian Equity Fund</b>	2,477,273	2,876,493
<b>PH&amp;N Canadian Equity Fund</b>	2,308,260	2,830,241
<b>PH&amp;N Canadian Equity Value Fund</b>	2,244,736	2,821,854
<b>PH&amp;N US Equity Fund</b>	958,770	1,022,269
<b>RBC QUBE US Equity Fund</b>	1,045,681	1,019,704
<b>RBC QUBE Low Volatility US Equity Fund</b>	712,902	697,175
<b>RBC International Equity Index Fund</b>	1,906,110	1,890,454
<b>RBC International Equity Fund</b>	1,684,707	1,834,649

<b>Fund Description</b>	<b>Book Cost</b>	<b>Market Value</b>
<b>RBC Emerging Markets Dividend Fund</b>	890,549	816,005
<b>RBC Emerging Markets Equity Fund</b>	840,649	806,983
<b>RBC Canadian Core Real Estate Fund</b>	1,130,000	1,138,238
<b>RBC Global Infrastructure Fund LP</b>	1,130,000	1,131,609
	<b>\$21,984,360</b>	<b>\$23,576,124</b>

- 3.23 Overall, \$20,250,000 of funds have been provided to the ONE JIB for investment. The difference between this amount and the book value above is due to investment income which has been realized and reinvested into the funds, such as dividends or capital gains.
- 3.24 Compared to the invested amount, the Municipality has in the first year realized a return of approximately \$1,734,400, or a 8.6% return based on the increase value of the book value compared to the invested amount. A further unrealized gain \$1.6 million brings the annual return to approximately 16% in less than 12 full months of investment.
- 3.25 The following chart breaks down the value of the ONE JIB Investment at December 31, 2025:



3.26 Included in Attachment #1 is the Statement of Investments as at December 31, 2025. This provides a list of the actual investments that are held by the funds included in Clarington’s portfolio.

## 4. Other Information Relevant to Council

### Board Appointments

- 4.1 As identified last year, the Municipality’s Treasurer sits on the board of ONE Investment as its Vice-Chair (2025-2026, becoming Chair in 2026-2027) and is the Vice-Chair of ONE’s Audit and Risk Committee.
- 4.2 Internally, processes are in place to ensure that there is a vetting process in place for investment decisions related to ONE Investment. The annual determination of Money Not Required Immediately, is performed by the Financial Planning team and reviewed by the Treasurer. This is the amount that is provided to ONE JIB, which is independent of ONE Investment.

## 5. Financial Considerations

- 5.1 The 2025 Annual report provides historical results, historical results are not indicative of future results due to many external economic factors outside of the control of the Municipality.

## 6. Strategic Plan

- 6.1 Not Applicable.

## **7. Climate Change**

7.1 Not Applicable.

## **8. Concurrence**

8.1 Not Applicable.

## **9. Conclusion**

It is respectfully recommended that the 2024 Annual Investment Report be received for information.

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Staff Contact: Trevor Pinn, CPA, CA, Deputy CAO/Treasurer, 905-623-3379 ext.2602 or [tpinn@clarington.net](mailto:tpinn@clarington.net).

Attachments:

Attachment 1 – ONE JIB Statement of Investments at December 31, 2025

Interested Parties:

Not Applicable